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Production and Exports of Italian Food and Drink in 2009

Report Categories:

Market Development Reports

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Report Highlights:

Italian food and drink production declined 2.1 percent in 2009. Production increased for oils, alcohol, crackers, preserved pastries, ready meals, and wine, but production decreased for a variety of other sectors, particularly ice cream, dried fruit, condiments and spices. Production fell in response to lower demand both domestically and abroad. Italian food and drink exports declined 4 percent in 2009 particularly to the United States, Canada, and major European markets. Exports increased the most for processed vegetables, whereas sugar exports declined the most.

General Information:

Production

According to Federalimentare (Italy's primary federation of agricultural producers), food and drink manufacturers performed well in 2009 despite the global financial crisis. Federalimentare reported a

2.1 percent decline in food and drink production in 2009, compared to a total 18.5 percent decrease across manufacturing sectors. The slight decline in agricultural manufacturing brought total food and drink production to €20 billion in 2009. Agricultural production has played an increasingly important role in Italian manufacturing since 2000. From 2000 to 2009, agricultural production grew 9.8 percent whereas total industrial production declined 18 percent over the same period.

Changes in Italian food production varied across sectors in 2009. Oils, crackers, preserved pastries, ready meals, and certain types of alcohol performed particularly well, and the production of wine, milling items, and processed meats held steady. The largest declines in production were in the dried fruit, condiments and spices, ice cream, chocolate, bread, fresh pastries, and dairy sectors. Table 1 shows the changes in production for those sectors, listed in order of best performance.

Italy: Table 1. Changes in Food Production in 2009, by Sector	
Oils	+5.2%
Mixed Distillation of Alcohols	+4.5%
Crackers and Preserved Pastries	+2.8%
Ready Meals	+1.6%
Wine	+0.8%
Milling	-0.1%
Processed Meats and Derivatives	-0.9%
Dairy	-3.2%
Chocolate	-4.6%
Bread and Fresh Pastries	-5.9%
Ice Cream	-7.3%
Dried Fruit	-11.8%
Condiments and Spices	-12.9%
Total Food and Drink Production in Italy	-2.1%
<i>Source: Federalimentare</i>	

Federalimentare explained the decline in food production by decreased demand at home and abroad thanks to the global financial crisis. Domestic consumption fell 2.5 percent in 2008 and 1.6 percent in 2009. Italian agricultural exports were hurt by decreased demand from the United States and Canada which fell 13.2 percent and 9.5 percent respectively. The global financial crisis also hurt demand for Italian products in large European markets such as Germany (-3.4 percent), France (-2.8 percent), and the United Kingdom (-6.6 percent).

Exports

Italy's food and drink sector is an increasingly important component of the country's exports. Total Italian exports declined 24 percent in 2009. Federalimentare forecasts that Italian food and drink exports will decline 4 percent during the same period, which is a slight improvement over the 4.9 percent decrease in agricultural exports reported during the first ten months of the year. From 2000 to 2009, the value of Italian food and drink exports increased 52.4 percent compared to a 7.1 percent increase of total Italian exports.

Changes in Italian food exports varied by sector in 2009. Exports of processed vegetables, milled products, beer, and confectionary products increased the most, while meat and coffee exports held steady. The largest declines in exports were in the sugar, processed fruits, oils and fats, animal feed, wine, pasta, dairy, mineral and carbonated water, rice, fish products, brandy and liquor sectors. Table 2 shows the changes in exports for those sectors, listed in order of best performance.

Italy: Table 2. Changes in Food Exports in 2009, by Sector	
Processed Vegetables	+11.3%
Milled Products	+8.8%
Beer	+3.0%
Confectionary Products	+3.0%
Meat	+0.4%
Coffee	-0.4%
Brandy and Liquors	-1.9%
Fish Products	-2.7%
Rice	-3.0%
Mineral and Carbonated Water	-3.3%
Dairy	-4.4%
Wine	-6.2%
Animal Feed	-8.8%
Pasta	-9.9%
Oils and Fats	-13.8%
Processed Fruits	-17.0%
Sugar	-22.6%
Total Italian Food Exports	-4.0%
<i>Source: Federalimentare</i>	

Export changes were not uniform across the Italian regions. Campania, Piedmont, and Apulia performed the best in 2009, increasing their exports by 8.6 percent, 8.4 percent, and 5.3 percent respectively. The three central regions (Umbria, Marche, and Lazio) and the three southern regions (Calabria, Sicily, and Sardinia) decreased their exports by about 2 percent each. Exports from Italy's

largest producing regions, Lombardy and Emilia Romagna, made up 11 percent and 12 percent of total regional food production. Exports took a particularly high share of total production in Campania, Piedmont, and Veneto – 31 percent, 30 percent, and 20 percent respectively.

Future Projections

Federalimentare forecasts that Italian food production could return to 2008 levels by 2010, with domestic and foreign demand increasing as the global economy improves. According to Federalimentare, restored production will depend on three primary factors. First, Italian producers must focus on high food quality and safety. Secondly, producers must discover new export markets. Finally, the Italian government must curb the counterfeiting of Italian food products, a practice that Federalimentare claims hurts the image of Italian goods and decreases the label's value over the long-term.